CONCORDIA UNIVERSITY

BOARD OF GOVERNORS

CONCORDIA EMPLOYEE BENEFITS COMMITTEE

ATTENDANCE: Mr. G. Fisher - Chairman, Prof. L. Bessner, Dr. J. Daniel, Ms. A. Kerby, Dr. H. Ladd, Prof. G. Martin, Mr. B. Smart, Mr. M. Hamilton of William M. Mercer Ltd., Miss D. Johnson, and Ms. E. Gardham

REGRETS: Mr. M. Bourgault, Mr. R. Groome, and Miss S. O'Reilly

Minutes of the meeting held March 28, 1984

Preliminary Valuation Results - January 1, 1984

Dr. Daniel asked Mr. Hamilton to commence his review of the valuation results. It was noted that no vote could be taken until the Chairman arrived.

Mr. Hamilton summarized the valuation results for the committee. The complete text of the preliminary valuation report is included as Appendix A of the minutes. The following points were highlighted:

- Active membership has not changed dramatically.
- The average salary figures do not include the C.U.F.A. adjustment.
- Retired membership is still low because the plan only dates back to 1977.
- The average pension is virtually the same as it was last year.
- The Market Value has gone from $62.4 million in 1982 to $78.6 million in 1983.
- The average rates of return were Book 11.8%, Market 15.8% and Adjusted Market 11.9%.
- The valuation method we use includes the Adjusted Market Value of assets which enables us to recognize both net realized and unrealized capital gains on a 20% declining balance basis.
- The liabilities are valuated according to the Accrued Benefit Actuarial Cost method with projected salaries .
- The economic assumptions include a 6% rate of return and a 4% wage inflation rate.
- The valuation results reflect assets up to $70.6 million from $57.5 million, liabilities at $63.7 million from $57.9 million

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and the funding excess at $6.9 million up from a deficit of $0.4 million. This excess excludes the effect of the C.U.F.A. adjustments.

- The change in funding position (pg. 10) shows where we picked up money. There was a correction in the data for past service investment gains in excess of those assumed, salary growth under the 4% level assumed (before C.U.F.A. adjustments) and mortality and miscellaneous gains.

- The actuarial costs reflect annual benefits earned totalling $4.88 million with employee annual contributions totalling $1.7 million.

- The minimum required contribution reflects employer current service costs. The surplus is available to subsidize employer contributions.

- Page 13 reflects the increases in liabilities and costs for the C.U.F.A. adjustment and the past service improvements for retired employees. Liabilities will increase by about $4.47 million and current service costs by $0.208 million.

- The revised financial position reflects a surplus of $2.4 million after these adjustments.

- The Financial Impact of Amendments summary reflects the costs of amendments under consideration by this committee. These costs total $5.5 million.

    1) Improvement of Past Service Benefit from 40% to 100%.

    2) 1984 Pension Ad-Hoc Supplements.

    3) Continuation of Ad-Hoc benefits to survivors

- The Possible Use of the Surplus summary indicates the cost of funding 100% past-service for those members over age 54 along with the cost of the 1984 supplements and survivor benefits.

Prof. Bessner noted that the average pension was only a little over $300.00 per month per person and asked if this included the total University pension from all sources.

It was noted that these amounts did not include pensions from Manulife, The Y.M.C.A. Retirement Fund and Canadain Government Annuities. In addition, many of our retired employees had less than 10 years of service and retired at a time when final average salaries were less than $10,000.00 per annum.

Mr. Smart commented that when our retired membership increases this committee should probably have someone to represent their direct interests.

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Mr. Smart also pointed out that expenses had increased by 20%. Miss Johnson noted that we had increases in investment management fees as well as custodial costs. A report will be filed with committee once the audit is completed.

Prof. Bessner asked if the "Adjusted Market" valuation method was the usual procedure for pension plans. Mr. Hamilton noted that there is no usual procedure. About 1/4 of the plans use Market Value, 1/4 use Book Value, 1/3 use Adjusted Market and the rest use something that could not be classified.

Ms. Kerby noted that we used to have a contingency which is no longer carried because there was enough built into the Plan and it was no longer necessary. Is the $8.1 million in addition to that?

Mr. Hamilton noted that the old 5% contingency was on the liability side and we dropped it because we improved the mortality basis. The $8 million will not remain constant; one year of decline in the market will wipe out the $8 million.

Mr. Smart added that in the event of a bad market year the fund would not look bankrupt. It is important that we recognize the stabilizing and security effect of the adjusted market value.

The Chairman noted that we need to understand that the value of the fund is not a precise number. It varies from day to day and we attempt to contrive a way of appraising its value.

Mr. Smart pointed out that the C.U.F.A. settlement seems to be in excess of the 4% wage inflation assumption. Is there an adjustment to reflect that the percentage is not appropriate to the whole plan?

Mr. Hamilton noted that neither of the assumptions used is what we expect. We expect a rate of return in excess of the assumed rate in the same sense as we expect wage inflation to be higher than the assumption.

Mr. Smart asked if it is reasonable to treat the University members as one group when they are so obviously two distinct groups?

Mr. Hamilton replied that the total won't be too far off. There are no studies which show that the groups move very differently over long periods of time.

Mr. Smart asked if the rate of termination has a big influence on the pressure for portability? Prof. Bessner asked if the two year vesting would be retroactive.

Mr. Hamilton responded that there is no retroactive effect anticipated with the vesting requirements and pension plans would have to set more funds aside for future termination and vesting benefits.

Mr. Smart asked how long the University has been making extra contributions to the pension plan? Prof. Martin replied four or five years. Mr. Smart

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asked if the University planned to continue making extra contributions. Prof. Martin indicated that this commitment could not be made this year with the same assurance as a year ago. At this moment we know what salaries will be for 1984. We should look ahead and assume we are going to have a surplus in the pension fund next year. Because of the fiscal position of the University right now I suggest we go as far as the surplus will allow us this year and no further. Given the current finances of the University I would have problems supporting a recommendation to incur a larger unfunded liability.

The Chairman added that it would be indefensible for the financial administration of the University to accede to a large deficit given the current financial circumstances.

Prof. Ladd noted that the approach to include everyone age 54 and over reflected a conservative cost of $1.9 million. This approach is preferable to going 70% for everyone because that would be unfair to those actually retiring next year.

The Chairman noted that the Finance Committee would look seriously at a recommendation of the Benefits Committee, they won't look seriously at a working document.

Prof. Martin noted that this is effectively a one year bridge and we will review this item yearly until the whole issue has been resolved.

The Chairman noted that the final wording of the resolution should come back to the table for discussion. The Chairman called for a motion.

The motion for approval of items on page 18 of the preliminary valuation results was proposed by Ms. Kerby, seconded by Mr. Smart and unanimously carried.

Prof. Ladd asked what information could be disclosed to the constituencies? The Chairman indicated that the official announcement should come from the Board.

Other Business:

Prof. Ladd noted that he wished to report from C.U.F.A. on the Dental Plan. We have put the question out to other groups for their comments and we will come back with comments on what we would like to see and what we would not like to see for the fall.

In addition, Prof. Ladd noted that a meeting had been held regarding pre-retirement counselling. The meeting was held to find out what different people wanted. A second meeting will be held to establish a priority list and ascertain what is possible in terms of funding. The third meeting in April will be to finalize plans for implementation in the fall.

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The meeting adjourned and it was noted that the next meeting will be held on April 13th.

Respectfully submitted,

M. Dawn Johnson, Secretary
Concordia Employee Benefits Committee

Special thanks to recording secretary L. Gardham